

MINUTES OF MEETING OPEN SESSION

March 14, 2011

The Investment Committee met on Monday, March 14, 2011 at the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 10:50 a.m. and the following members were present:

George Diehr, Chair
Tony Oliveira, Vice Chair
John Chiang
Richard Costigan
Dan Dunmoyer
Rob Feckner
JJ Jelincic
Henry Jones
Bill Lockyer, represented by Steve Coony
Priya Mathur
Louis F. Moret
Ronald Yank, represented by Greg Beatty

Terry McGuire represented John Chiang

AGENDA ITEM 2 - APPROVAL OF FEBRUARY 2010 MEETING MINUTES

On **MOTION** by Mr. Jones, **SECONDED** and **CARRIED** that the February 14, 2010 Open Session minutes be approved as presented.

AGENDA ITEM 3 – ELECTION OF THE CHAIR AND VICE CHAIR

Ms. Mathur nominated Mr. Diehr to Chair the Committee.

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED** that Mr. Diehr be elected Chair of the Investment Committee by unanimous ballot.

Mr. Coony nominated Mr. Jones to Vice Chair the Committee.

On **MOTION** by Mr. Feckner, **SECONDED** and **CARRIED** that Mr. Jones be elected Vice Chair of the Investment Committee by unanimous ballot.

AGENDA ITEM 4 – CALIFORNIA EMPLOYERS RETIREE BENEFIT TRUST (CERBT) INVESTMENT ANNUAL UPDATE AND STRATEGIC ASSET ALLOCATION – RECOMMENDATION

Geraldine Jimenez, Division Chief; Farouki Majeed, Senior Investment Officer; and Ray Venner, Portfolio Manager, presented the item. Rand Anderson, CalPERS CERBT Manager, and Andrew Junkin, Wilshire Consulting, were available to respond to questions from the Committee.

Staff presented a recommendation to adopt three CERBT policy portfolios – conservative, moderate, or aggressive. By increasing the number of investment choices from one to three, CalPERS will enhance public employers' ability to choose a portfolio that more closely matches their particular risk/return profile as informed by their actuarial valuation.

On **MOTION** by Mr. Jelincic, **SECONDED** and **CARRIED** to approve staff's recommendation to adopt the asset allocations for the three policy portfolios of conservative, moderate and aggressive as presented in the CERBT Strategic Asset Allocation; contingent upon Benefits and Program Administration Committee and Board approval to offer three investment options.

AGENDA ITEM 5 - FEBRUARY 2011 POLICY SUBCOMMITTEE REPORT

The Investment Policy Subcommittee met on February 14, 2011. No action items were presented. The Subcommittee had a second discussion regarding the role of private asset class consultants. Policy language will be presented at the next Policy Subcommittee meeting which is scheduled for April 11, 2011.

AGENDA ITEM 6a – TOTAL FUND, CalPERS Total Fund Quarterly Report

Michael Schlachter and Andrew Junkin, Wilshire Consulting, provided a 2010 fourth quarter Total Fund Report on the performance of the Public Employees Retirement Fund. Executive summaries were also provided for investment performance of the Affiliate Funds, Legislators' Fund, Annuitants Healthcare Plan and the Supplemental Income Plans.

It was noted that CalPERS generated a total fund net return of 5.6% for the quarter and 12.5% for the 12-month period ending December 31, 2010. The total fund composite beat its actuarial rate for the quarter as well as the one-year period, but continued to lag over longer-term periods.

Mike Moy, Pension Consulting Alliance (PCA), provided a review and assessment of the report as it relates to the Alternative Investment Management (AIM) Program performance. AIM outperformed the Policy Index by 0.1% and the long-term policy by 0.6% over the latest 10-year period as of December 31, 2010.

Paul Mouchakkaa, PCA, provided a review and assessment of the report as it related to the Real Estate Program performance through December 31, 2010. The total Real Estate Portfolio produced a 3.3% return during the quarter and a minus 5.1% return over the trailing year compared to the Policy Index returns.

The Committee accepted the quarterly reports.

AGENDA ITEM 6b - TOTAL FUND, Risk Management Quarterly Update

Farouki Majeed, Senior Investment Officer, and Rick Roth, Senior Portfolio Manager, gave a quarterly update on Total Fund risk management. The report included information regarding:

- Total Fund and Asset Class Volatility and Trends
- Currency Risk
- Concentration Measures
- Leverage
- Counterparty Exposure
- Liquidity

The Committee accepted the quarterly information update.

AGENDA ITEM 6c – TOTAL FUND, Investment Office Roadmap – Cost Effectiveness and Financial Overview

Janine Guillot, Chief Operating Investment Officer, and Kami Niebank, Division Chief, provided an overview of the Investment Office Roadmap Cost Effectiveness Strategic Priority and highlighted the associated initiatives and next steps. The strategy would enhance cost effectiveness of the investment program to improve net returns on assets.

The Committee accepted the information report.

AGENDA ITEM 7 – PROGRAM UPDATES

There were no items to report for the following programs:

- a. Real Estate
- b. Inflation-Linked Asset Class (ILAC)
- c. Alternative Investments Management (AIM)
- d. Global Fixed Income
- e. Global Equity
- f. Global Equity Corporate Governance
- g. Affiliate Investment Programs

AGENDA ITEM 8 – ACTIVITY REPORTS

The Committee accepted the following activity reports:

- a. Consolidated Investment Activity Report
- b. Chief Operating Investment Officer's Status Report

AGENDA ITEM 9 – AGENDA AND CALENDAR

The Committee accepted the following:

- a. Draft agenda for April 11, 2011
- b. 2011-12 Annual Agenda Item Calendar

AGENDA ITEM 10 - PUBLIC COMMENT

There were no public comments.

The meeting was adjourned at 12:50 p.m.

The next Investment Committee meeting is scheduled for April 11, 2011 in Sacramento, California.

STEPHEN W. KESSLER

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Deputy Executive Officer
Operations